



Public School Employees' Retirement Board

Board Meeting Minutes

August 6, 2021

Call to Order: Christopher SantaMaria, Board Chair, called the meeting to order at 1:15 P.M. from the PSERS Board Room and via MS Teams.

Board Members Present:

Christopher SantaMaria, Chair	Stacey Connors for Sen. Patrick Browne	John Callahan for Nathan Mains
Rep. Frank Ryan, Vice-Chair	Jason Davis	Sen. Katie Muth
Deborah Beck	Eric DiTullio	Patrick Lord for Sec. Noe Ortega
Patrick Shaughnessy for Rep. Matt Bradford	Treas. Stacy Garrity	Joe Torsella
	Susan Lemmo	Sec. Richard Vague
		Melva Vogler

Others Present:

Anne Baloga	Lloyd Ebright	Edward Quinn, Buck
James Bloom	Alan Flannigan	Claire Rauscher,
Thomas Clancy	Ashley Matthews	WombleBondDickinson
Christopher Craig	Luc Miron	William Sullivan, Pillsbury
Suzanne Dugan, CohenMilstein	Brandon Patterson, Aon	

Staff Present:

Thomas Bauer	Glen Grell	Robert Little
Connie Billett	James Grossman	Jackie Lutz
Peter Camacci	Bev Hudson	Jennifer Mills
Brian Carl	Christopher Jones	Michael O'Toole
Tivia Danner	Brian Koleno	Joe Sheva
Mercedes Evans	Jason Kuntz	Steve Skoff
Mei Gentry	Stephanie Lanus	Laura Vitale

10.1 Acceptance of Published Agenda or Amendments

Eric DiTullio moved to accept the published agenda. Rep. Frank Ryan seconded the motion, which passed unanimously.

10.2 Approval of Minutes from June 11, 2021

Rep. Frank Ryan proposed correction of minutes from June 11, 2021 on page 10 for Resolution 2021-26, to correct for Act 128 of 2020.

Rep. Frank Ryan moved to approve the minutes of the June 11, 2021 meeting as corrected. Melva Vogler seconded the motion, which passed unanimously.

10.3 Minutes from Special Board Meetings

Rep. Frank Ryan moved to approve the minutes from the following Special Board Meetings. Melva Vogler seconded the motion, which passed unanimously.

June 16, 2021

June 23, 2021

June 30, 2021

July 7, 2021

July 13, 2021

July 21, 2021

July 28, 2021

10.4 Public Comment – none

10.5 Introduction of New Employees – Glen Grell

Presentation located in Diligent Board Book.

10.6 Old Business

Melva Vogler reported to the Board that the Ad Hoc Governance Committee met to discuss Funston’s recommendations. The outcome from the Board was to postpone the report for final input until the October Board meeting.

10.7 New Business

James Grossman introduced Claire Shaughnessy and Brandon Patterson, Aon, to present the Asset Liability Stress Test. Presentation of the Stress Test is required annually effective 2022 but PSERS is implementing the agenda item effective 2021.

Following the presentation, questions were entertained and a discussion followed.

10.8 Executive Session

At 2:14 P.M., Glen Grell, Executive Director, stated “In Accordance with Section 5.13 of the Bylaws of the Public School Employees’ Retirement Board, we are going into **Executive Session** to discuss the item listed on today’s agenda, namely consultation with Office of Chief Counsel and CyberSecurity. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss advice of counsel regarding pending or potential litigation and agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law.”

Melva Vogler moved, and Jason Davis seconded the motion, which passed unanimously.

Regular session resumed at 3:30 P.M.

10.9.1 Appeals and Member/Emp Svcs Committee Report

Deborah Beck reported on the Appeals and Member/Svcs Committee meeting held on August 5, 2021.

Deborah Beck stated that the Committee approved the minutes of the June 11, 2021 meeting.

Action Items –

Deborah Beck moved in the account of M.K. (Docket No. 2019-12), that the Board adopt the Hearing Examiner’s opinion and recommendation and deny Claimant’s request to reinstate his disability supplement. Jason Davis seconded the motion, which passed unanimously.

Deborah Beck moved in the account of Anne H. Miller (Docket No. 2020-01), that the Board adopt the draft opinion and order of the Board and deny Claimant's request to deem her request to purchase credit for non-qualifying part-time service as timely filed. Jason Davis seconded the motion, which passed unanimously.

Debbie Beck reported that the Committee reviewed the Executive Staff Review Committee reports for May 28, 2021 and June 29, 2021.

10.9.2 Health Care Committee Report

Susan Lemmo reported on the Health Care Committee meeting held on August 5, 2021.

Susan Lemmo stated that the Committee approved the minutes of the June 10, 2021 meeting.

Susan Lemmo reported on the following:

Peter Camacci, Director Health Insurance Office, provided Health Care plan updates specific to CMS recent annual release of Part D National Average Bid Amount and other bid information, review of pre and post COVID medical claims utilization trends through July 2021 and 2022 Open Enrollment preview. Melanie Clark, VP & Health Actuary, Segal, presented 2022 MetLife Vision, EyeMed Vision, and Medicare Advantage approved plans and rates.

Peter Camacci, PSERS and Melanie Clark, Segal, reviewed Pharmacy Benefit Manager RFP Reposting and next steps.

10.9.3 Budget/Finance Committee Report

Stacey Connors for Sen. Patrick Browne reported on the Budget/Finance Committee meeting held on August 5, 2021.

Stacey Connors stated that the Committee approved the minutes of the June 10, 2021 and July 12, 2021 meetings.

Stacey Connors reported on the following:

David Driscoll, Edward Quinn, and Salvador Nakar from Buck presented on the Administrative Option Factors.

Claire Shaughnessy and Phil Kivarkis from Aon provided a recap of the presentation on Aon's current Capital Market Assumptions and expected future long-term investment returns previously presented on July 12th.

Mark Brubaker and Ian Toner from Verus provided a recap of the presentation on the Expected Return Analysis previously presented on July 12th.

Stuart Schulman and Michael Kennedy from Buck provided a recap of the presentation on the Expected Return Analysis previously presented on July 12th.

David Driscoll, Edward Quinn, and Salvador Nakar from Buck presented on the Economic Assumptions and the Economic Changes.

Brain Carl gave an update on PSERS Fy21-22 budgets enacted and gave a preview of PSERS Fy22-23 Administrative and Investment Related Expenses budget requests.

Action Items –

Resolution 2021-32 Re: Five-Year Actuarial Experience Review July 1, 2015 to June 30, 2020 Administrative Options

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the Update of Administrative Option Factors presentation prepared by Buck and further adopts the Administrative Option Factors as more specifically set forth in the presentation.

The adopted Administrative Option Factors are to be effective July 1, 2022 and first reflected in the June 30, 2021 actuarial valuation.

Stacey Connors moved, and Eric DiTullio seconded the motion, which passed unanimously.

Resolution 2021-33 Re: Five-Year Actuarial Experience Review July 1, 2015 to June 30, 2020 Economic Assumptions

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2020 Five-Year Economic Experience Review presentation prepared by Buck Global LLC and adopts an inflation assumption of 2.5%, an investment rate of return assumption of 7.0%, a salary increase assumption of 4.50% and payroll growth assumption of 3.25% to be implemented in the June 30, 2021 actuarial valuation.

Stacey Connors offered the Resolution. Eric DiTullio offered a friendly amendment to lower the salary increase assumption from the proposed 4.75% to the moved 4.50%. Stacey Connors moved, and Eric DiTullio seconded the motion as amended, which passed unanimously.

10.9.4 Audit/Compliance Committee Report

Rep. Frank Ryan reported on the Audit/Compliance Committee meeting held on August 5, 2021.

Rep. Frank Ryan stated that the Committee approved the minutes of the June 10, 2021 and July 13, 2021 meetings.

Rep. Frank Ryan reported on the following:

Mei Gentry presented an update for the Fiscal Year 2021/2022 Audit Plan.

Rep. Frank Ryan and Mei Gentry provided information about Act 128 training requirements for the Audit/Compliance Committee members to complete in the calendar year.

Mei Gentry presented information about the Act 128 SOC1 Type 2 Audit Study.

Stephanie Lanus provided the results of the Internal Control Assessment for the fiscal year ending June 30, 2021.

Joe Sheva commented on the need for additional investment compliance positions to be filled. Three positions were requested during the rebudget process; two positions marked for Alicia James and one position for Mike Benson.

Alicia James provided an update on the investment compliance program.

Rep. Frank Ryan reported the Committee held an Executive Session for Internal Control Assessment results and Investment Compliance Review Report.

Action Item –

Resolution 2021-34 Re: Act 128 of 2020 SOC1 Type 2 Study and Notice of Forthcoming Procurements

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby approves the SOC1 Type 2 Audit Study and direct staff to immediately issue the Notice of Forthcoming Procurement for the SOC1 Type 2 Audit as directed by Act 128 of 2020.

Rep. Frank Ryan moved, and Treas. Stacy Garrity seconded the motion, which passed unanimously.

Resolution 2021-35 Re: Internal Control Assessment and Monitoring Plan

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Internal Control Assessment for the fiscal year ending June 30, 2021 and the Monitoring Plan for the period July 1, 2021 through June 30, 2022 for the Public School Employees' Retirement System pursuant to the recommendation of Stephanie L. Lanius, Assistant Audit Executive for Pensions and Financial Reporting, dated July 21, 2021.

Rep. Frank Ryan moved, and Treas. Stacy Garrity seconded the motion, which passed unanimously.

Resolution 2021-36 Re: Compliance Review Report for the External Manager Selection and Due Diligence dated July 12, 2021

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the Compliance Review Report for the External Manager Selection & Due Diligence dated July 12, 2021 pursuant to the recommendation of Alicia E. James, Investment Compliance Manager. Sen. Katie Muth requested on-going updates from Womble Bond Dickinson.

Rep. Frank Ryan moved, and Patrick Shaughnessy seconded the motion, which passed unanimously.

10.9.5 DC Plan Committee Report

Alan Flannigan for Sec. Richard Vague reported on the DC Plan Committee meeting held on August 5, 2021.

Alan Flannigan stated that the Committee approved the minutes of the June 10, 2021 meeting.

Alan Flannigan reported on the following:

T. Rowe Price conducted an educational session on the T. Rowe Price Target Date Funds that are offered as the default investment for the defined contribution plans. Board members present were credited 15 minutes of educational training for 2021.

Captrust conducted an educational session on the current DC Fund Offerings and discussed ESG investing. Board members present were credited 30 minutes of educational training for 2021.

Jennifer Mills provided a brief overview of the process for DC Plan investment manager monitoring and termination.

Jennifer Mills followed up on the June 10, 2021 Committee discussion on reporting and remittance of DC Plan contributions.

10.9.6 Bylaws/Policy Committee Report

Patrick Shaughnessy reported on the Bylaws/Policy Committee meeting held on August 5, 2021.

Patrick Shaughnessy stated that the Committee approved the minutes of the December 2, 2020, July 7, 2021, and July 13, 2021 meetings.

10.9.7 Personnel Committee Report

Melva Vogler reported on the Personnel Committee meeting held on August 5, 2021.

Melva Vogler stated that the Committee approved the minutes of the October 8, 2020 meeting.

Action Item –

Resolution 2021-37 Re: Amendments to Policy Manual for Investment Professional Staff

Resolved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the following changes to Policy Manual for Investment Professional Staff ("Policy Manual"):

- Section 2.1 – Job Classifications and Appendix 3 are amended to add the following Audit Classifications pertaining to investment-related positions:
 - o Chief Audit Officer/Pay Scale Level 04
 - o Assistant Audit Executive Investment/Pay Scale level 03
 - o Investment Audit Specialist/Pay Scale level 02
 - o Investment Junior Audit Specialist/Pay Scale Level 01
- Section 1.4 – Annual Salary Adjustments and Computations is amended to add the following:
Notwithstanding any other provisions of this policy, the annual salary adjustments for Audit Staff positions under this policy will be determined by the Executive Director, in consultation with the Chair of the Board and the Chair of the Audit/Compliance Committee. Such annual adjustments shall not be based upon the Fund Performance as set forth at Table 1.2.

Further **Resolved**, that the Personnel Committee, in accordance with Section 5.5 of the Policy manual, shall undertake the five-year review of the Policy Manual, including the engagement of a consultant to conduct an updated classification and compensation study to be used in connection with the five-year study.

Melva Vogler moved, and Eric DiTullio seconded the motion, which passed unanimously.

Melva Vogler reported the Committee held an Executive Session to review and discuss the Executive Director’s annual performance evaluation.

10.9.8 Investment Committee Report

Jason Davis reported on the Investment Committee Workshop held on August 4, 2021 and the meeting held on August 6, 2021.

Jason Davis stated that the Committee approved the minutes of the June 10, 2021, and July 12, 2021 meetings.

Jason Davis reported on the following from the Workshop:

Mark Brubaker, Ian Toner, and Faraz Shooshan, Verus, presented on Risk Tolerance and Return Objective Survey Results; the Investment Policy Statement, Asset Allocation, Private Asset Classes, and Decomposition of PSERS Performance.

Jason Davis reported on the following from the Committee meeting:

James Grossman gave a PSERS Investment Office Dashboard Overview.

James Grossman gave a brief presentation on Insight Partners XII, L.P. and Summit Partners Growth Equity XI-A, L.P.

Jeff Burton and Christopher Baker gave a presentation on Traditional Investments – Internally Managed Public Equity and Public Real Asset.

Carl Lantz gave a presentation on Traditional Investments – External Managers.

Jason Davis reported the Committee held an Executive Session, with discussion led by James Grossman.

James Grossman gave a preview of future Investment Committee meetings.

Action Item –

Richard Vague moved to table Insight Partners XII, L.P. and Summit Partners Growth Equity, XI-A, L.P. until Wednesday, August 11, 2021. Patrick Shaughnessy seconded the motion, which passed unanimously.

Tres. Stacy Garrity, Sen. Katie Muth, and Melva Vogler were not present for the Action Item.

10.10 Chief Financial Officer's Report

Brian Carl presented Chief Financial Officer's Report through a slide deck, which included:

Fiscal Year End Schedule

- a. Final Accounting Entries – September 3, 2021
- b. Financial Statement Preparation and Audit
- c. Board Distribution
- d. Budget/Finance Committee Meeting October 7-8, 2021
- e. ACFR Production, Actuarial Valuation and GASB 68 & 75 Work for Employers

Preliminary and Unaudited June 30, 2021 Financial Update

Other Finance-Related Activities

- a. Finalize Overall Experience Study Report with Buck
- b. Workiva Update
- c. New W-4P Form for Tax Withholding in 2022
- d. Act 37 Projections to the IFO
- e. FY 2022-23 Budget Request Development

10.11 Office of Chief Counsel Report

Jackie Lutz presented Office of Chief Counsel's Report, which included:

OCC filed its reproduced record and Supreme Court brief yesterday in *Public School Employees' Retirement Board v. Raymond J. Whalen* (No. 33 MAP 2021). This matter involves an appeal from the Commonwealth Court's October 27, 2020 opinion which reversed an Order of the Board that concluded that a \$15,000 lump settlement payment was not "compensation" within the meaning of the Retirement Code.

Regarding the petition for review filed against PSERB by PSEA, on Wednesday August 4 PSBA filed petition to intervene as a party respondent, and on Friday August 6 PSERS OCC filed a response to the lawsuit and preliminary objections.

On July 6, 2021 Blackhawk School District filed its brief and reproduced records and PSBA filed an amicus filing in support of its position. OCC's Commonwealth Court brief is due on September 7, 2021.

Commonwealth Court reversed the matter regarding the *Lebron v. PSERB* matter. PSERB appealed to the Supreme Court which on June 30, denied PSERB's appeal.

Action Item –

Resolution 2021-38 Re: Signing of Contracts, Instruments, and Other Documents

Resolved, that the Public School Employees' Retirement Board authorizes any two or more of the persons occupying the following positions, namely, the Executive Director; Deputy Executive Director and Director of Defined Contribution Investments; Deputy Executive Director of Administration; Chief Financial Officer; Chief Investment Officer; Deputy Chief Investment Officer, Traditional Investments; Deputy Chief Investment Officer, Non-Traditional Investments; Managing Director, Investment Operations/Risk; Managing Director, Fixed Income; Director, Investment Operations; and Director of Investment Accounting and Budget to execute and deliver any and all contracts, instruments, or documents that require written signatures in the name of the Public School Employees' Retirement System (the "System") or the School Employees' Defined Contribution Plan (the "Plan"), as applicable, and to endorse, assign, or guarantee all such contracts, instruments, or documents in the name of the System or the Plan, as applicable.

Resolved FURTHER, that (i) in the case of investment contracts, the Chief Investment Officer; Deputy Chief Investment Officer, Traditional Investments; Deputy Chief Investment Officer, Non-Traditional Investments;

Managing Director, Investment Operations/Risk; Director, Investment Operations; or Managing Director, Fixed Income must be one of the two signatories, and the Executive Director; Deputy Executive Director, Director of Defined Contribution Investments; Deputy Executive Director of Administration; Chief Financial Officer; or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when the only authorized signatories who are available hold Investment Office positions; and (ii) in the case of all other contracts, the Executive Director; Deputy Executive Director, Director of Defined Contribution Investments; Deputy Executive Director of Administration; Chief Financial Officer; or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when none of the designated individuals is available.

Resolved FURTHER, that the members of System staff shall be authorized to execute and deliver forms and other non-contractual documents relating to either investment or benefit matters in the course of their assigned ministerial duties (e.g., tax forms, confirmations of the System's and/or Plan's tax exempt status, verifications of account information, workers' compensation and unemployment compensation forms, and other documents that do not require the exercise of discretion or judgment on the part of the staff member who executes the document).

Jason Davis moved, and Melva Vogler seconded the motion, which passed unanimously.

Sen. Katie Muth stated the importance for hiring quality and salary competitive Audit/Compliance staff.

10.12 Deputy Executive Director of Administration Report

Bev Hudson presented Deputy Executive Director's Report through a slide deck, which included:

Shared Service: Vision, Planning, and Progress to Date

- a. Human Resources
- b. Information Technology
- c. Administrative Services

PSERS Transition to Permanent Telework setting forth the Agency's plans for gradual return to work and telework.

10.13 Deputy Executive Director and Director of Defined Contribution Plan Report

Jennifer Mills had no further matters to report.

10.14 Executive Director Report

Glen Grell presented Executive Director's Report through a slide deck, which included:

Upcoming Presentations/Events

- a. NASRA Annual Conference August 9-11
- b. NCTR Executive Committee Meeting August 19
- c. BOCC Conference September 22
- d. PASR House of Delegates Convention October 4
- e. NCTR Annual Conference October 10-12

Current Issues

- a. COVID-19 Return to Work Protocols and Permanent Telework Policy
- b. Board Governance Review – Funston

- c. Shared Risk Implementation
- d. Director of Government Relations Job Posting for Legislative Liaison 3
- e. Travel Policy Rescission of Exemptions
- f. Re-budget Requests for Internal Audit and Investment Compliance Positions
- g. Legislation
 - a. House State Government Committee August 18-19
 - b. Rep. Ryan – GIPs Legislation
 - c. Rep. Miller – Fee Transparency
 - d. Rep. Keefer – Removes Employer Rate “Collars”
- h. Future Meetings
 - a. August 11, 2021
 - b. October 6-8, 2021
- i. Board Election

10.15 Board Members Comments – none

Adjournment

The Board meeting adjourned at 4:35 P.M.

Next Meeting

The next regularly scheduled meeting of the Public School Employee’s Retirement Board will be held October 6-8, 2021, via MS Teams at PSERS’ Headquarters, 5 North 5th Street, Harrisburg, PA.

DocuSigned by:

Glen Grull

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9/24/2021